

FISCAL NOTE

Bill #: SB0096

Title: Authorize direct sale of logs from state land

Primary Sponsor: Gebhardt, K

Status: As Introduced - Revised

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
Expenditures:		
General Fund	\$0	(\$21,147)
State Special Revenue	\$0	\$21,147
Revenue:		
State Special Revenue	\$0	\$39,900
Trust Funds	\$0	\$2,100
Net Impact on General Fund Balance:	\$0	\$21,147

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, Department of Natural Resources and Conservation (DNRC) sells timber from state lands and the timber is harvested by the buyer. This bill would authorize DNRC to contract for the harvesting of timber and to sell the harvested saw logs and residual products. This bill would be effective on passage and approval. The bill does not increase the amount of timber to be harvested, but will increase the net sales price of the timber sold.

Department of Natural Resources and Conservation

2. It is assumed that this bill will have no fiscal impact in FY 2006, due to the time involved in the development of rules and the first contract sale. The fiscal impact for FY 2007 is based on a contract logging sale of 1,000,000 board feet, \$210 per thousand board feet (mbf) stumpage price, historic sale development, and estimated contract logging expenses.
3. Contract logging is anticipated to generate 20 percent more net revenue compared to the same sale contracted using current methods.
4. Contract logging harvests will be included as part of the DNRC annual sustained yield requirement in 77-5-223, MCA.

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5. Expenses for contracted services (logging, yarding, transporting, etc.) would be paid out of existing biennial budget appropriations.
6. Based on these assumptions, it is anticipated that approximately \$42,000 would be generated in additional revenues for trust beneficiaries in FY 2007.
7. It is not known which land trust will own the land covered by the single lease signed in FY 2007. For the purposes of this fiscal note, it is assumed that the land is common school land, in which case, 95% of the net revenue will be deposited in the guarantee account and 5% will be deposited in the school trust fund. If it belonged to the capital building trust, all of the net revenue will be deposited in the capitol building capital projects fund. If it belonged to one of the other trusts, all of the net revenue will be deposited in the corresponding state special revenue account.
8. Approximately two-thirds of state forests are on school trust land. The first sale under this program therefore is likely to be on school land. In which case, revenue to the guarantee account would be increased by \$39,900 (95% x \$42,000) and an additional \$2,100 (5% x \$38,800) would be deposited in the school trust fund.
9. The increase to the guarantee account will be shared proportionally between state Base aid to schools (below 18 million board feet) and the Technology Acquisition Fund based (above 18 million board feet). According to this calculation, Base aid would receive 53% and Technology Acquisition Fund would receive 47% of the additional revenue.
10. The guarantee fund is the first funding for school Base aid. Increases in revenue for Base aid do not increase the state obligation for school district Base aid and result in reductions in the amount of general fund required to fund school districts.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Funding of Expenditures:</u>		
General Fund (01)	\$0	(\$21,147)
State Special Guarantee Account (02)	<u>0</u>	<u>21,147</u>
TOTAL	\$0	\$0
<u>Revenues:</u>		
State Special Revenue (02)		
Guarantee Account - Base aid	\$0	\$21,147
Guarantee Account – Technology Fund	0	18,753
Trust Funds (09)	<u>0</u>	<u>2,100</u>
TOTAL	\$0	\$42,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	\$21,147
State Special Revenue (02)		
Guarantee Account - Base aid	\$0	\$0
Guarantee Account – Technology Fund	\$0	\$18,753
Trust Funds (09)	\$0	\$2,100

LONG-RANGE IMPACTS:

The long-range impact of this bill will be to increase the funding available for the trust beneficiaries from contract logging sales by 10 to 30 percent over the current method of conducting timber sales.